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HOUSE BILL 253 By
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SENATE BILL 1504
By Rochelle

AN ACT to amend Tennessee Code Annotated, Title 9, Chapter 4
and Title 13, Chapter 5, relative to a state strategic
planning and budget process.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 13, Chapter 5, is amended by adding
the following as a new part:

Part 1 - State Agency Strategic Planning

13-5-101. (a) This part shall be known and may be cited as the "Tennessee Strategic
Planning Act of 2001".

(b) The provisions of this part are a pilot project applying only to the state agencies
designated under the provisions of Section 13-5-103.

(c) The provisions of this part are repealed on June 30, 2005.

13-5-102. (a) The general assembly finds and declares that:

(1) To promote intergovernmental coordination, accountability and the effective
allocation of resources, the state should set goals to provide direction and guidance for
state agencies in the development and implementation of their respective plans,
programs, and services.

(2) Regular evaluation of the goals and state agency strategic plans is necessary to inform the public whether state goals are being attained. To accomplish this purpose, the state agency strategic plans should be evaluated annually with any necessary revisions prepared through coordinated action by state agencies and the state's chief planning officer.

(b) It is the intent of the general assembly that:

(1) The state planning process and the state agency strategic plans provide direction for the delivery of governmental services, a means for defining and achieving the specific goals of the respective state agencies, and a method for evaluating the accomplishment of those goals and establishing more accountability for all state agencies.

(2) State agency strategic plans shall be effectively coordinated to ensure the establishment of appropriate agency priorities and to facilitate the orderly, positive management of agency activities consistent with the public interest. It is also intended that the implementation of the state agency strategic plans enhance the quality of life of the citizens of the state.

13-5-103. As used in this part, unless the context otherwise requires:

(1) "Commissioner" means the commissioner of finance and administration.

(2) "Goal" means the long-term end toward which programs and activities are ultimately directed.

(3) "Objective" means a specific, measurable, intermediate end that is achievable and marks progress toward a goal.

(4) "Policy" means the way in which programs and activities are conducted to achieve an identified goal.

(5) "State agency" or "agency" means any one (1) of the three (3) cabinet agencies within the executive branch of state government selected by the commissioner

to participate in the pilot programs established under this act, and may include one (1) higher education institution. For purposes of this subdivision, "higher education institution" means a four (4) year institution, community college, or non-formula unit selected by the commissioner in consultation with the executive director of the Tennessee higher education commission, the Tennessee board of regents and the University of Tennessee board of trustees.

(6) "State agency strategic plan" means the statement of priority directions that an agency will take to carry out its mission within the context of any statutory mandates and authorizations given to the agency.

(7) "Strategy" means a means to an end; a policy, program, action or decision that an agency uses to achieve an objective.

13-5-104. The commissioner shall serve as the chief planning officer of the state and, in consultation with the governor, shall conduct an annual review and revision of the state agency strategic plans.

13-5-105. (a) The head of the state agency shall select from within such agency a person to be designated as the planning officer for such entity. The agency planning officer shall be responsible for coordinating with the commissioner of finance and administration and with the planning officers of other agencies all activities and responsibilities of such agency relating to planning.

(b) The head of the agency shall notify the commissioner of finance and administration in writing of the person initially designated as the planning officer for such agency and of any changes in persons so designated thereafter.

13-5-106. (a) A state agency strategic plan shall be a statement of the priority directions the agency will take to carry out its mission within the context of any statutory mandates and authorizations given to the agency. The agency strategic plan shall specify those objectives against which will be judged the agency's achievement of its goals.

(b) A state agency strategic plan shall be developed with a two (2) to five (5) year outlook and shall provide the strategic framework within which an agency's budget is developed.

(c) All amendments, revisions, or updates to a state agency strategic plan shall be prepared in the same manner as the original and shall be prepared as needed because of changes in the statutory authority and responsibility of the agency.

13-5-107. (a) Beginning in 2002, the head of the agency shall prepare a strategic plan and shall submit the plan to the commissioner at a time to be prescribed by the commissioner.

(b) The state agency strategic plan must be in a form and manner prescribed in written instructions prepared by the commissioner. The state agency strategic plan must identify any additional legislative authority necessary to implement the provisions of the plan. The agency may only implement those portions of its strategic plan that are consistent with statutory or constitutional authority and for which funding, if needed, is available consistent with the provisions of applicable appropriations acts of the general assembly. State agency strategic plans shall be amended by the agency, as necessary, to ensure consistency with the legislative actions prior to the effective date of the state agency strategic plan.

(c) The commissioner shall review the state agency strategic plan to ensure that it is consistent with the requirements as specified in the commissioner's written instructions. Within sixty (60) days, reviewed plans shall be returned to the agency, together with any required revisions.

(d) The head of each state agency shall, within thirty (30) days of the return of its state agency strategic plan, incorporate all revisions required by the commissioner and return the revised plan to the commissioner.

(e) The commissioner shall transmit copies of each state agency strategic plan to the speakers of the senate and house of representatives for referral to the respective finance, ways and means committees and other appropriate standing committees, not later than thirty (30) days prior to the next regular session of the general assembly.

(f) The state agency strategic plans developed pursuant to this part are not rules and therefore are not subject to the provisions of the Uniform Administrative Procedures Act compiled at title 4, chapter 5.

SECTION 2. Tennessee Code Annotated, Title 9, Chapter 4, is amended by adding the following as a new part 50:

Part 50 - State Performance-Based Budgeting

9-4-5001. (a) This part shall be known and may be cited as the "Tennessee Performance-Based Budgeting Act of 2001".

(b) The provisions of this part are a pilot project applying only to the state agencies designated under the provisions of Section 9-4-5003.

(c) The provisions of this part are repealed on June 30, 2005; provided, however, that the performance measure and standard adoption provisions of Section 9-4-5004(c), the performance standard adjustment provisions of Section 9-4-5004(d), the performance reporting provisions of Section 9-4-5007, and the audit provisions of Section 9-4-5008 shall apply only to the 2003-2004 fiscal year; and that other provisions of this part shall apply only to the 2003-2004 and 2004-2005 fiscal years.

9-4-5002. In addition to the items to be set forth in the budget document pursuant to Section 9-4-5101, the governor shall also provide to the general assembly a performance-based program budget for programs administered by each state agency as defined in Section 9-4-5003.

9-4-5003. As used in this act, unless the context otherwise requires:

(1) "Baseline data" means indicators of a state agency's current performance level, pursuant to guidelines established by the commissioner.

(2) "Commissioner" means the commissioner of finance and administration.

(3) "Fiscal year" shall have the meaning set forth in Section 9-1-101.

(4) "Goal" means the long-term end toward which programs and activities are ultimately directed.

(5) "Objective" means a specific, measurable, intermediate end that is achievable and marks progress toward a goal.

(6) "Outcome" means an indicator of the actual impact or public benefit of a program.

(7) "Output" means the amount of actual service or product delivered by a state agency.

(8) "Performance-based program budget" means a budget that incorporates program performance measures.

(9) "Performance ledger" means the official compilation of information about state agency performance-based programs and measures, including approved programs, approved outputs and outcomes, baseline data, approved standards for each performance measure and any approved adjustments thereto, as well as actual agency performance for each measure.

(10) "Performance measure" means a quantitative or qualitative indicator used to assess state agency performance.

(11) "Policy" means the way in which programs and activities are conducted to achieve an identified goal.

(12) "Program" means a set of activities undertaken in accordance with a plan of action organized to realize identifiable goals and objectives.

(13) "Standard" means a quantitative performance level or target that a program is expected to achieve for an outcome or output.

(14) "State agency" or "agency" means any one (1) of the three (3) cabinet agencies within the executive branch of state government selected by the commissioner to participate in the pilot programs established under this act, and may include one (1)

higher education institution. For purposes of this subdivision, "higher education institution" means a four (4) year institution, community college, or non-formula unit selected by the commissioner in consultation with the executive director of the Tennessee higher education commission, the Tennessee board of regents and the University of Tennessee board of trustees.

(15) "State agency strategic plan" means the plan developed and approved pursuant to title 13, chapter 5, part 1.

9-4-5004. (a) By October 1, 2002, and October 1, 2003, the head of each state agency shall identify and submit to the commissioner a list of proposed state agency programs and performance measures for the next fiscal year. Performance measures proposed by the agency must be consistent with the objectives in the state agency strategic plan prepared in accordance with title 13, chapter 5, part 1, and shall represent one (1) year implementation efforts necessary to meet the state agency strategic plan objectives.

(b) The following documentation shall accompany the list of proposed programs and measures submitted by the state agency:

- (1) The constitutional or statutory direction and authority for each program;
- (2) Identification of the customers, clients, and users of each program;
- (3) The purpose of each program or the benefit derived by the customers, clients, and users of the program;
- (4) Costs of each program;
- (5) An assessment of whether each program is conducive to performance-based program budgeting;
- (6) An assessment of the time needed to develop meaningful performance measures for each program;
- (7) A comparison of the agency's existing budget program structure to the proposed budget program structure. No change to the budget program structure, as

reflected in the work program allotments approved pursuant to title 9, chapter 4, part 51, shall be submitted or made without the advance approval of the commissioner;

(8) A description of the use of performance measures in agency decision-making, agency actions to allocate funds and manage programs, and the agency strategic plan; and

(9) The outputs produced by each proposed program, the outcomes resulting from each proposed program, and baseline data associated with each performance measure. Agencies must submit documentation for each output and outcome measure, which explains the validity, reliability, and appropriateness of each performance measure.

(c) The performance-based program budget request submitted by the agency pursuant to Section 9-4-5005 shall contain the programs and performance measures adopted by the general assembly, or, if none are adopted, those approved by the commissioner.

Notwithstanding the programs, performance measures, and standards recommended for each state agency in the governor's budget recommendations, the general assembly shall have final approval of all programs, performance measures, and standards through the general appropriations act.

(d) Annually, no later than forty-five (45) days after the general appropriations act becomes law, the head of the state agency may submit to the commissioner any adjustments to program performance standards based on the amounts appropriated for each program by the general assembly. When such adjustment is made, all performance standards, including any adjustments made, shall be submitted to and reviewed and revised as necessary by the commissioner and, upon approval, shall be submitted by the commissioner to the chairs of the finance, ways and means committees of the senate and house of representatives. The commissioner shall maintain both the official record of adjustments to the performance

standards as part of the agency's approved operating budget and the official performance ledger.

9-4-5005. (a) The head of the state agency shall prepare a performance-based budget request for the 2003-2004 and 2004-2005 fiscal years on blanks furnished by the commissioner and shall submit the budget request to the commissioner by dates in 2002 and 2003 to be prescribed by the commissioner.

(b) An agency's expenditure estimate as required by Section 9-4-5103 shall identify the financial resources necessary to further the provisions of the agency strategic plan prepared in accordance with title 13, chapter 5, part 1.

9-4-5006. (a) The commissioner shall develop performance-based program budget request instructions from which the agency shall prepare its performance-based program budget request, which shall be submitted to the commissioner in accordance with Section 9-4-5005. The budget instructions must include instructions for agencies in submitting performance measures and standards as required by Section 9-4-5004. The budget instructions must also include instructions for agencies in submitting the assessment of performance measures required to be included in the agency annual performance report under Section 9-4-5007.

(b) The commissioner shall review the performance-based program budget request for compliance with budget instructions. The commissioner may adjust the program budget request of the agency in preparing the recommended budget for review by the governor. Nothing in this part shall limit the authority of the governor to revise the budget estimates, appropriation recommendations, work program allotments, or performance measure recommendations of any agency or program pursuant to the governor's authority under title 9, chapter 4, part 51, or other law.

9-4-5007. (a) On or before December 1, 2004, the head of the state agency shall submit an annual performance report for the preceding fiscal year to and in a form prescribed by the commissioner. The commissioner shall transmit copies of the agency annual reports to the

speakers of the senate and house of representatives for referral to and consideration by the respective finance, ways and means committees and other appropriate standing committees. Copies shall also be provided by the commissioner to the fiscal review committee, the comptroller of the treasury and the office of legislative budget analysis. The purpose of this report is to evaluate the attainment of the agency objectives identified in the state agency strategic plan, developed pursuant to title 13, chapter 5, part 1, and the performance measures adopted or approved pursuant to Section 9-4-5004 for the previous fiscal year.

(b) The commissioner shall review the agency annual performance report required by subsection (a) and may require any additional reports or analyses as necessary.

(c) Whenever the governor, in consultation with the commissioner, determines that an emergency or other urgent practical necessity requires that the strategic planning process provided in this part be suspended, the governor may suspend such planning process for a period of one (1) year, provided that the governor gives notice in writing to the chairs of the senate and house finance, ways and means committees at least thirty (30) days prior to such suspension. The written notice shall include a statement of the nature of the emergency or urgent practical necessity.

9-4-5008. On an annual basis, the comptroller of the treasury shall audit the information used or created by a state agency to prepare the annual performance report required by Section 9-4-5007(a), together with any books, records and other evidences of financial transactions kept by the state agency subject to this act. The comptroller of the treasury shall have the full cooperation of the officials of any such state agency in the performance of such audit or audits. Every such audit shall be performed and reported as a part of and in accordance with the provisions contained in title 8, chapter 4.

SECTION 3. Tennessee Code Annotated, Section 9-4-5106(a)(2), is amended by inserting after the language "or which may be required by the general assembly" the language "including, but not limited to, any information and statements necessary to implement the

provisions of title 9, chapter 4, part 50". The provisions of this section of this act are repealed on June 30, 2005.

SECTION 4. The provisions of this act shall be null and void unless appropriations necessary to implement its provisions are made in each general appropriations act for fiscal years 2001-2002, 2002-2003, 2003-2004, and 2004-2005.

SECTION 5. This act shall take effect July 1, 2001, the public welfare requiring it.